

REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2004

REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA

TABLE OF CONTENTS

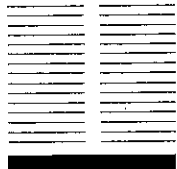
	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-8
Basic Financial Statements:	<u>Exhibit</u>
Statement of Net Assets - Cash Basis	A 9
Statement of Cash Receipts, Disbursements and	
Changes in Net Assets - Cash Basis	B 10-11
Notes to Financial Statements	12-19
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>	20-21
Schedule of Findings	22-25

REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA

OFFICIALS

JUNE 30, 2004

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Keith Stanerson	Chairperson	Iowa County
Jerry Smith	Vice-Chairperson	City of Marengo
Theresa Phillips	Secretary-Treasurer	City of Williamsburg
Ray Garringer	Board Member	Iowa County
Dan Ray	Board Member	Iowa County
Jerry Denzler	Board Member	Iowa County
Scott Grimm	Board Member	Iowa County
Darwin Huedepohl	Board Member	Iowa County
James Reinhart	Board Member	Iowa County
Mick Gorsch	Board Member	City of Millersburg
Eddie O'Brien	Board Member	City of Parnell
Shirley Messer	Board Member	City of Ladora
Al Chipman	Board Member	City of North English
John Tibben	Board Member	Iowa County Health Department
Richard Heller	Director	



Greenwood and Crim, P.C.
Certified Public Accountants

Linda Crim Hopkins, C.P.A.
Steven J. Kuhl, C.P.A.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
and Executive Board
Regional Environmental Improvement
Commission of Iowa County, Iowa
Marengo, IA

We have audited the accompanying financial statements of the Regional Environmental Improvement Commission of Iowa County, Iowa, as of and for the year ended June 30, 2004. These financial statements are the responsibility of Commission officials. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with United States generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, these financial statements are prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than United States generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash basis financial position of the Regional Environmental Improvement Commission of Iowa County, Iowa as of and for the year ended June 30, 2004, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 2.

As discussed in Note 12, during the year ended June 30, 2004, the Regional Environmental Improvement Commission of Iowa County, Iowa adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

In accordance with Government Auditing Standards, we have also issued our report dated December 17, 2004 on our consideration of the Regional Environmental Improvement Commission of Iowa County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 4 through 8 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

December 17, 2004

Greenwood and Crui, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Regional Environmental Improvement Commission of Iowa County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities of the Regional Environmental Improvement Commission of Iowa County is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

2004 FINANCIAL HIGHLIGHTS

- The Commission's operating receipts increased by \$29,943, or approximately 4.63%, from fiscal 2003 to fiscal 2004.
- The Commission's operating disbursements increased by \$57,071, or approximately 11.68%, from fiscal 2003 to fiscal 2004.
- The Commission's net assets decreased by \$552,140, or approximately 25.6%, from June 30, 2003 to June 30, 2004. This was due to the construction of a new landfill cell.

USING THIS ANNUAL REPORT

The Commission has elected to present its financial statements on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the Commission's cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of the cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Commission's cash basis of accounting.

This discussion and analysis is intended to serve as an introduction to the Regional Environmental Improvement Commission's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Commission's financial activities.
- The Statement of Net Assets - Cash Basis presents information on the Commission's net assets, including balances restricted for specific purposes and balances unrestricted and available for operating activities.

- The Statement of Cash Receipts, Disbursements and Changes in Net Assets - Cash Basis presents information on the Commission's operating receipts and disbursements, non-operating receipts and disbursements and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.
- The Notes to Financial Statements provide additional information essential for a full understanding of the data provided in the basic financial statements.

FINANCIAL ANALYSIS OF THE COMMISSION

Statement of Net Assets - Cash Basis

The Statement of Net Assets - Cash Basis presents the assets and net assets of the Commission at the end of the fiscal year. The Statement of Net Assets - Cash Basis is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the Commission to the readers of the financial statements.

Over time, readers of the financial statements are able to determine the Commission's financial position by analyzing the increases and decreases in net assets.

Assets and Net Assets		June 30,	
		2004	2003
Assets			
Cash and cash investments:			
Restricted	\$1,348,304	\$1,298,267	
Unrestricted	<u>255,711</u>	<u>857,888</u>	
Total Assets	<u>\$1,604,015</u>	<u>\$2,156,155</u>	
Net Assets			
Net assets:			
Restricted	\$1,348,304	\$1,298,267	
Unrestricted	<u>255,711</u>	<u>857,888</u>	
Total Net Assets	<u>\$1,604,015</u>	<u>\$2,156,155</u>	

The largest portion of the Commission's net assets (84%) is restricted for closure and post closure care costs. State and federal laws and regulations require the Commission to place a final cover on the landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. The remaining net assets (16%) are unrestricted net assets that can be used to meet the Commission's obligations and they come due. Restricted net assets increased by \$50,037 during the year. The increase was due to additional funds set aside for closure and post closure care costs. Unrestricted net assets decreased by \$602,177 during the year, due primarily to the construction of a new landfill cell.

Statement of Cash Receipts, Disbursements and Changes in Net Assets - Cash Basis

Changes in total net assets as presented in the Statement of Net Assets - Cash Basis are based on the activity presented in the Statement of Cash Receipts, Disbursements and Changes in Net Assets - Cash Basis. The purpose of the statement is to present the receipts received by the Commission and the disbursements paid by the Commission, both operating and non-operating.

Operating receipts are received from gate fees from accepting solid waste and assessments from the members of the Commission. Operating disbursements are disbursements paid to operate the landfill. Non-operating receipts and disbursements are from interest on investments and for construction costs. A summary of cash receipts, disbursements and changes in net assets for the years ended June 30, 2004 and June 30, 2003, is presented below:

Changes in Cash Basis Net Assets		Year Ended June 30,	
		2004	2003
Operating receipts:			
Gate fees - solid waste	\$	425,599	\$ 382,096
City contributions		105,328	106,484
County contributions		128,336	128,336
Waste tire management program reimbursements		—	5,145
Agriculture income		703	1,485
Miscellaneous		16,549	23,026
Total operating receipts	\$	676,515	\$ 646,572
Operating disbursements:			
Salaries and wages	\$	146,028	\$ 138,110
Payroll taxes		11,887	10,849
Employer share of IPERS		8,399	7,941
Benefits		38,372	27,199
Continuing education		1,076	1,240
Travel and mileage		266	246
Operator physicals		—	73
Equipment purchased		25,918	7,600
Equipment repairs and rental		36,795	34,546
Equipment fuel		7,831	7,355
Recycling and cleanup expenses		15,105	16,096
Engineering fees		107,043	81,309
Lab fees		8,192	7,301
Leachate pumping system		10,998	26,184
Leachate system inspection and engineering		1,800	5,416
Agriculture expense		3,399	1,064
Audit		2,025	1,925
Survey and aerial mapping		—	3,880
Cover material		11,477	13,027

Insurance	25,511	22,027
Rock and rock hauling	3,571	4,664
Scale house	441	416
Electricity and gas	12,936	13,025
Supplies	8,203	5,779
Advertising	1,562	553
Waste tire expenses	567	1,930
Sales tax	2,185	3,328
Monitoring fees	1,400	—
Consulting fees: semi-annual reports	5,800	2,150
DNR - tonnage fees	19,829	18,381
Buildings and grounds maintenance	3,734	5,433
ECICOG assessment	5,698	4,701
Legal fees	25	525
Office supplies and postage	3,010	3,836
Telephone	2,448	2,249
Vehicle expenses	6,609	6,127
Computer programming and expenses	3,544	679
Miscellaneous expenses	<u>2,165</u>	<u>1,614</u>
Total operating disbursements	<u>\$ 545,849</u>	<u>\$ 488,778</u>

Excess of Operating Receipts
Over Operating Disbursements

\$ 130,666 \$ 157,794

Non-operating receipts (disbursements):

Interest on cash investments - unrestricted	\$ 8,646	\$ 20,848
Interest on cash investments - closure/post-closure care	30,038	57,226
Landfill expansion	<u>(721,490)</u>	<u>(12,948)</u>
Net non-operating receipts (disbursements)	<u>\$ (682,806)</u>	<u>\$ 65,126</u>

Change in Net Assets - Cash Basis \$ (552,140) \$ 222,920

Change in Net Assets, beginning of year 2,156,155 1,933,235

Change in Net Assets, end of year \$ 1,604,015 \$ 2,156,155

In fiscal year 2004, operating receipts increased by \$29,943, or approximately 4.63%, from fiscal 2003. The increase was primarily a result of gate fees increasing by \$43,503 due to an increase in waste received. In fiscal 2004, operating disbursements increased by \$57,071, or approximately 11.68%, from fiscal 2003. Purchases of equipment increased by \$18,318 from fiscal 2003 to fiscal 2004.

LONG-TERM DEBT

At June 30, 2004, the Commission had no outstanding long-term debt.

ECONOMIC FACTORS

The Regional Environmental Improvement Commission continued to improve its operating financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for Commission officials. Some of the realities that may potentially become challenges for the Commission to meet are:

- Facilities require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated, presenting an ongoing challenge to maintain up-to-date technology at a reasonable cost.
- Annual deposits required to be made to closure and post-closure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

The Commission anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Commission's ability to react to unknown issues.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional information, contact the Regional Environmental Improvement Commission of Iowa County, P.O. Box 371, Marengo, IA 52301.

BASIC FINANCIAL STATEMENTS

REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA

Statement of Net Assets - Cash Basis

June 30, 2004

ASSETS

Cash and cash investments:

Unrestricted	\$ 255,711
Restricted	<u>1,348,304</u>

Total Assets	<u>\$1,604,015</u>
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NET ASSETS

Unrestricted net assets	\$ 255,711
Restricted for closure/post-closure care	<u>1,348,304</u>

Total Net Assets	<u>\$1,604,015</u>
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See Notes to Financial Statements.

REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA

Statement of Cash Receipts, Disbursements
and Changes in Net Assets - Cash Basis

For the Year Ended June 30, 2004

Page 1 of 2

OPERATING RECEIPTS

Assessments:

Iowa County	\$ 128,336
Cities	<u>105,328</u>
	\$ 233,664
Gate fees - solid waste	425,599
Agriculture income	703
Miscellaneous income and reimbursements	<u>16,549</u>
Total Operating Receipts	<u>\$ 676,515</u>

OPERATING DISBURSEMENTS

Personnel costs:

Salaries and wages	\$ 146,028
Payroll taxes	11,887
Employer share of IPERS	8,399
Benefits	<u>38,372</u>
	\$ 204,686
Continuing education	1,076
Travel and mileage	266
Equipment purchased	25,918
Equipment repairs and rental	36,795
Equipment fuel	7,831
Recycling and cleanup expenses	15,105
Engineering fees	107,043
Lab fees	8,192
Leachate pumping system	10,998
Leachate system inspection and engineering	1,800
Agriculture expense	3,399
Audit	2,025
Cover material	11,477
Insurance	25,511
Rock and rock hauling	<u>3,571</u>
Subtotal	<u>\$ 465,693</u>

REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA

Statement of Cash Receipts, Disbursements
and Changes in Net Assets - Cash Basis

For the Year Ended June 30, 2004

Page 2 of 2

OPERATING DISBURSEMENTS (Continued)

Subtotal forward	\$ 465,693
Scale house	441
Electricity and gas	12,936
Supplies	8,203
Advertising	1,562
Waste tire expenses	567
Sales tax	2,185
Monitoring fees	1,400
Semi-annual reports	5,800
Iowa Department of Natural Resources - tonnage fees	19,829
Buildings and grounds maintenance	3,734
ECICOG assessment	5,698
Legal fees	25
Office supplies and postage	3,010
Telephone	2,448
Vehicle expenses	6,609
Computer programming and expenses	3,544
Miscellaneous expenses	<u>2,165</u>
Total Operating Disbursements	<u>\$ 545,849</u>
Excess of Operating Receipts Over Operating Disbursements	<u>\$ 130,666</u>
NON-OPERATING RECEIPTS (DISBURSEMENTS)	
Interest on cash investments - unrestricted	\$ 8,646
Interest on cash investments - closure/post-closure care	30,038
Landfill expansion	<u>(721,490)</u>
Net Non-Operating (Disbursements)	<u>\$ (682,806)</u>
Change in Net Assets - Cash Basis	\$ (552,140)
Cash Basis Net Assets, beginning of year	<u>2,156,155</u>
Cash Basis Net Assets, end of year	<u>\$ 1,604,015</u>

See Notes to Financial Statements.

REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA

Notes to Financial Statements

June 30, 2004

NOTE 1. REPORTING ENTITY

The Regional Environmental Improvement Commission of Iowa County, Iowa (REIC) is a voluntary joint undertaking of units of government in Iowa County, Iowa, pursuant to the provisions of Chapter 28E of the Code of Iowa.

The REIC was established on May 4, 1971, for the purpose of assisting individuals and communities in Iowa County, Iowa in their efforts to collect, transport, and dispose of solid waste and to otherwise preserve and improve the natural environment of said region. The REIC is further established for the purpose of developing, operating, and maintaining sanitary landfill and recycling facilities to carry out the foregoing purpose.

The members of the REIC include Iowa County and the cities of Ladora, Marengo, Millersburg, North English, Parnell and Williamsburg. The governing body of the REIC is composed of seven representatives from Iowa County, one representative from each of the six member cities, and one representative from the Iowa County Health Department. The representatives are appointed by the participating political subdivisions and each has one vote.

For financial reporting purposes, the REIC has included all funds, organizations, agencies, boards, commissions and authorities. The REIC has also considered all potential component units for which it is financial accountable, and other organizations for which the nature and significance of their relationship with the REIC are such that exclusion would cause the REIC's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the REIC to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the REIC. The REIC has no component units which meet the Governmental Accounting Standards Board criteria.

Certain representatives of the REIC governing body are also members of other county and city boards and commissions in Iowa County. Those boards and commissions are not financially accountable to the REIC or the nature and significance of the relationship with the REIC are such that exclusion does not cause the financial statements of the REIC to be misleading or incomplete.

REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA

Notes to Financial Statements

June 30, 2004

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The REIC maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the REIC are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items, including the estimated payables for closure and post-closure care costs. Accordingly, the financial statements do not present the financial position and results of operations of the REIC in accordance with United States generally accepted accounting principles.

Basis of Presentation - The accounts of the REIC are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of receipts, disbursements, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

Restricted Assets and Net Assets - Funds set aside for payment of closure and postclosure care costs are classified as restricted.

NOTE 3. CASH AND INVESTMENTS

The REIC's deposits in banks at June 30, 2004 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The REIC is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA

Notes to Financial Statements

June 30, 2004

NOTE 3. CASH AND INVESTMENTS (Continued)

The REIC's deposits as of and during the year ended June 30, 2004 were maintained in checking accounts, savings accounts and certificates of deposit. The REIC had no investments meeting the disclosure requirements of Governmental Auditing Standard Board Statement Number 3.

NOTE 4. LANDFILL PERMIT

The REIC landfill permit is for the period July 11, 2001 through July 11, 2004. In June 2004 the landfill permit was renewed for the period July 11, 2004 through July 11, 2007.

NOTE 5. CLOSURE AND POST-CLOSURE CARE COSTS

To comply with Federal and State regulations, the REIC is required to complete a monitoring system plan and a closure/post-closure plan to provide funding necessary to effect closure and post-closure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year post-closure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and post-closure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of compacted clay and twenty-four inches of soil to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA

Notes to Financial Statements

June 30, 2004

NOTE 5. CLOSURE AND POST-CLOSURE CARE COSTS (Continued)

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and post-closure costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in post-closure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the post-closure period and (4) the cost of any environmental clean-up required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes to inflation or deflation, changes in technology, or changes in applicable laws and regulations.

The total costs for the REIC as of June 30, 2004 have been estimated at \$1,821,500. The estimated remaining life of the landfill is 10 years. The REIC has established a Closure/Post-Closure Trust Fund in accordance with Chapter 567-111.6(1) of the Iowa Administrative Code to accumulate resources to fund these costs. At June 30, 2004, the balance in this fund was \$1,348,304.

NOTE 6. PENSION AND RETIREMENT BENEFITS

The REIC contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50603-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the REIC is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The REIC's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$8,399, \$7,941 and \$7,345, respectively, equal to the required contributions for each year.

NOTE 7. RELATED PARTY TRANSACTIONS

The REIC had business transactions between the REIC and REIC officials totaling \$8,800 during the year ended June 30, 2004.

REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA

Notes to Financial Statements

June 30, 2004

NOTE 8. RISK MANAGEMENT

The REIC is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 490 members from various government entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basic rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The REIC's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The REIC's annual contributions to the Pool for the year ended June 30, 2004 were \$14,904.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automotive, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks, including automobile physical damage, are also reinsured on an individual-member basis.

REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA

Notes to Financial Statements

June 30, 2004

NOTE 8. RISK MANAGEMENT (Continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The REIC does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the REIC's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage in any of the past three fiscal years.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. After the sixth year, the member is refunded 100 percent of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal and the member's proportionate share of any capital deficiency.

The REIC also carries commercial insurance purchased from other insurers for worker's compensation coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The REIC assumes liability for any deductibles and claims in excess of coverage limitations.

REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA

Notes to Financial Statements

June 30, 2004

NOTE 9. SOLID WASTE TONNAGE FEES RETAINED

The REIC has established accounts for restricting and using those portions of solid waste tonnage fees retained in accordance with Chapter 455B.310 of the Code of Iowa. As required by the Code of Iowa, fifty cents per ton of the solid waste tonnage fee retained must be used for the following: (1) development and implementation of an approved comprehensive plan, (2) development of a closure and/or post-closure plan, (3) development of a plan for the control and treatment of leachate, which may include a facility plan or detailed plans and specifications, and (4) other environmental protection activities. \$1.05 of the retained tonnage fees must be used for the purpose of implementation of waste volume reduction and recycling required by the REIC's approved comprehensive plan.

At June 30, 2004, the REIC had \$5,651 of unspent tonnage fees.

NOTE 10. COMPENSATED ABSENCES

REIC employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon retirement, voluntary termination or death. Sick leave hours paid upon retirement, voluntary termination or death are reduced by one-half and are paid at the then effective hourly rate of that employee. These accumulations are not recognized as disbursements by the REIC until used or paid. The REIC's approximate liability for earned compensated absences payable to employees at June 30, 2004 is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 7,154
Sick leave	<u>16,520</u>
Total	<u>\$ 23,674</u>

This liability has been computed based on rates of pay as of June 30, 2004.

REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA

Notes to Financial Statements

June 30, 2004

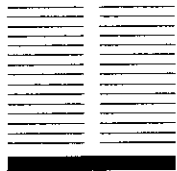
NOTE 11. CONSTRUCTION COMMITMENTS

During the year ended June 30, 2004, the REIC expanded the landfill by constructing a new cell. The contract for the expansion was for \$705,911. The construction was completed prior to June 30, 2004, and \$688,263 was paid on the contract during the year, leaving an unpaid balance of \$17,648 at June 30, 2004.

NOTE 12. ACCOUNTING CHANGE

During the year ended June 30, 2004, the Commission implemented Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

Implementation of these standards had no effect on the beginning balances of the REIC.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
and Executive Board
Regional Environmental Improvement
Commission of Iowa County, Iowa
Marengo, Iowa

We have audited the financial statements of the Regional Environmental Improvement Commission of Iowa County, Iowa, (the REIC) as of and for the year ended June 30, 2004, and have issued our report thereon dated December 17, 2004. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with United States generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the REIC's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the REIC's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described as items 04-A and 04-B in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions noted above are material weaknesses. Prior year reportable conditions have been resolved except for item 04-A.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the REIC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the REIC's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the REIC. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for item 04-5.

This report, a public record by law, is intended solely for the information and use of the Board of Directors and Executive Board of the REIC, management, members and constituents of the REIC and other parties to whom the REIC may report. This report is not intended to be and should not be used by anyone other than these specified parties.

Greenwood and Crim, P.C.

December 17, 2004

REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA

Schedule of Findings

For the Year Ended June 30, 2004

Findings Related to the Financial Statements:

Reportable Conditions:

04-A Segregation of Duties

Comment - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that substantially all of the custody of the accounting records and the performance of control procedures are concentrated among two persons.

Recommendation - The limited number of personnel makes it difficult to achieve ideal internal accounting control through the segregation of employee duties. The concentration of closely related duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, and the analysis of financial information by a small staff makes it difficult to establish an ideal system of automatic internal checks on accounting records accuracy and reliability. When this condition exists, management's close supervision and review of accounting information is the best means of preventing or detecting errors and irregularities. We recommend that management and the Board of Directors review the internal control policies and procedures on a regular basis to obtain the maximum internal control possible under the circumstances.

Response - We have some Board members involved in some procedures in our system, primarily approval of invoices for payment. We will explore other possibilities for the system and will continue to use some Board members in the procedures they are already involved in. We will continue to review our operational procedures and segregate duties to the extent possible under the circumstances.

Conclusion - Response accepted.

04-B Cash Gate Fees

Comment - We noted that the deposits of daily cash gate fees during the year ended June 30, 2004 were not made in a timely manner on several occasions. In order to ensure the proper safeguarding of assets, the cash gate fees should be deposited at the bank as soon as possible.

Recommendation - We recommended that the cash gate fees be deposited as soon as possible, and no later than one week after receipt. We realize that, due to small staff size, it may not be practical to go to the bank on a daily basis during normal business hours. However, the cash gate fees could be deposited timely by use of the bank's night depository box.

REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA

Schedule of Findings

For the Year Ended June 30, 2004

Findings Related to the Financial Statements:(Continued)

04-B Cash Gate Fees (Continued)

Response - We have deposited a significant amount of the daily cash gate fees as of mid-December and all gate fees will be deposited in a timely manner by January 2005. We will also make sure that future daily cash gate fees are deposited as soon as possible.

Conclusion - Response accepted.

Instances of Noncompliance:

No matters were noted.

REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA

Schedule of Findings

For the Year Ended June 30, 2004

Other Findings Related to Statutory Reporting

- 04-1 Official Depositories - A resolution naming official depositories has been approved by the REIC. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- 04-2 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 04-3 Travel Expense - No expenditures of REIC money for travel expenses of spouses of REIC officials or employees were noted. No travel advances to REIC officials or employees were noted.
- 04-4 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- 04-5 Deposits and Investments

Comment - The REIC has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. This matter has been noted in prior year audits.

Recommendation - The REIC should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa.

Response - We have not yet completed a written investment policy but have started work on it and will complete it as soon as possible. We have been following our long-standing unwritten policy of investing our cash only in checking accounts, savings accounts, and certificates of deposit in banks solely in Iowa County.

Conclusion - Response accepted.

Comment - We noted that one certificate of deposit did not provide for a rate of interest that meets the minimum established rate.

Recommendation - We recommend that the REIC contact the bank and have the interest adjusted to at least the minimum required rate, and any additional interest be paid to the REIC.

Response - We will contact the bank and have the rate adjusted and have any additional interest paid to us.

Conclusion - Response accepted.

REGIONAL ENVIRONMENTAL IMPROVEMENT
COMMISSION OF IOWA COUNTY, IOWA

Schedule of Findings

For the Year Ended June 30, 2004

Other Findings Related to Statutory Reporting (Continued)

- 04-6 Solid Waste Fees Retained - During the year ended June 30, 2004, the REIC used or retained the solid waste fees in accordance with Chapter 455B.310 of the Code of Iowa.
- 04-7 Financial Assurance - The REIC has demonstrated financial assurance for closure and post-closure care costs by establishing a trust fund as provided in Chapter 111.6(1) of the Iowa Administrative Code. The calculation is as follows:

Total estimated closure and post-closure costs	\$ 1,821,500
Less value of the trust fund on July 31, 2003	<u>1,298,267</u>
	<u>\$ 523,233</u>

Projected deposit:

The above amount divided by the remaining estimated useable life. The remaining estimated useable life is ten years. ($\$523,233/10$)

	<u>\$ 52,323</u>
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As of June 30, 2004, the REIC has made all required contributions to the trust fund.

- 04-8 Business Transactions - Business transactions between the REIC and officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Keith Stanerson, Chairperson Owner - Stanerson Implement	Equipment	\$ 8,800

The transaction with this REIC official does not appear to represent a conflict of interest because it was entered into based on the lowest bid available.